

DISABILITY LAW CENTER

FINANCIAL STATEMENTS

**(With Supplementary Information
and Compliance Reports)**

September 30, 2005

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WISAN, SMITH, RACKER & PRESCOTT, LLP

C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Disability Law Center
Salt Lake City, Utah**

We have audited the accompanying statement of financial position of the Disability Law Center (a nonprofit organization) as of September 30, 2005, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's September 30, 2004 financial statements, which were audited by other auditors whose opinion dated January 25, 2005, on those statements was unqualified.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Disability Law Center as of September 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2006 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Disability Law Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
January 17, 2006

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DISABILITY LAW CENTER
STATEMENT OF FINANCIAL POSITION
September 30, 2005
With comparative totals for 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 202,629	\$ 162,480
Receivables:		
Accounts receivable	115,899	89,546
Sales tax receivable	<u>696</u>	<u>576</u>
	116,595	90,122
Prepaid expenses	9,149	13,290
Deposits	<u>3,536</u>	<u>3,536</u>
TOTAL CURRENT ASSETS	331,909	269,428
EQUIPMENT	<u>4,101</u>	<u>5,806</u>
TOTAL ASSETS	<u>\$ 336,010</u>	<u>\$ 275,234</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,650	\$ 6,393
Accrued expenses	<u>85,987</u>	<u>66,536</u>
TOTAL CURRENT LIABILITIES	93,637	72,929
NET ASSETS		
Temporarily restricted	103,391	120,139
Unrestricted	<u>138,982</u>	<u>82,166</u>
TOTAL NET ASSETS	<u>242,373</u>	<u>202,305</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 336,010</u>	<u>\$ 275,234</u>

The accompanying notes are an integral part of the financial statements.

**DISABILITY LAW CENTER
STATEMENT OF ACTIVITIES
Year ended September 30, 2005
With comparative totals for 2004**

	September 30, 2005			2004
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND SUPPORT				
Federal Awards				
US Dept. of Health & Human Services	\$ 867,806	\$ -	\$ 867,806	\$ 869,761
US Dept. of Education	320,022	-	320,022	326,594
Social Security Administration	121,280	-	121,280	99,258
"And Justice for All" Campaign	86,710	-	86,710	72,680
Crusade revenue	-	-	-	9,367
Other government grants	-	47,750	47,750	49,250
Conference income	-	-	-	25,753
Litigation revenue	-	300	300	18,382
Interest income	1,618	-	1,618	491
Donations	31,400	6,422	37,822	45,970
Loss on disposal of assets	-	-	-	(5,329)
Net assets released from restrictions	71,220	(71,220)	-	-
TOTAL REVENUES AND SUPPORT	1,500,056	(16,748)	1,483,308	1,512,177
EXPENSES				
Program services	1,241,832	-	1,241,832	1,208,714
Management and general	196,738	-	196,738	214,112
Fund raising	4,670	-	4,670	21,893
TOTAL EXPENSES	1,443,240	-	1,443,240	1,444,719
CHANGE IN NET ASSETS	56,816	(16,748)	40,068	67,458
NET ASSETS				
Net assets, beginning of year	82,166	120,139	202,305	134,847
Net assets, end of year	<u>\$ 138,982</u>	<u>\$ 103,391</u>	<u>\$ 242,373</u>	<u>\$ 202,305</u>

The accompanying notes are an integral part of the financial statements.

DISABILITY LAW CENTER
STATEMENT OF FUNCTIONAL EXPENSES
Year ended September 30, 2005
With comparative totals for 2004

	September 30, 2005				2004
	Program Services	Management and General	Fund Raising	Total	Total
Salaries and wages	\$ 809,037	\$ 136,281	\$ 3,639	\$ 948,957	\$ 899,091
Payroll taxes and employee benefits	184,605	31,096	830	216,531	228,145
SUB-TOTAL	993,642	167,377	4,469	1,165,488	1,127,236
Board-related expenses	6,257	773	-	7,030	3,336
Client litigation expenses	13,419	-	-	13,419	13,623
Conferences	8,343	1,034	19	9,396	20,801
Consulting	786	97	-	883	1,132
Contract services	26,777	3,309	-	30,086	68,596
Dues and fees	11,226	1,387	-	12,613	11,121
Insurance	6,011	745	14	6,770	13,941
Library and subscriptions	3,468	429	-	3,897	4,848
Miscellaneous	2,100	260	-	2,360	334
Newsletter and outside printing	18,567	2,300	43	20,910	13,621
Office supplies and postage	24,083	2,983	55	27,121	25,434
Recruitment	1,567	194	-	1,761	4,179
Rent	53,587	6,623	-	60,210	68,674
Repairs and maintenance	6,794	840	-	7,634	7,142
Small equipment and computer	13,372	1,657	31	15,060	6,768
Telecommunications	12,198	1,511	28	13,737	17,198
Travel	37,436	4,627	-	42,063	34,152
TOTAL BEFORE DEPRECIATION	1,239,633	196,146	4,659	1,440,438	1,442,136
Depreciation	2,199	592	11	2,802	2,583
TOTAL FUNCTIONAL EXPENSES	\$ 1,241,832	\$ 196,738	\$ 4,670	\$ 1,443,240	\$ 1,444,719

The accompanying notes are an integral part of the financial statements.

DISABILITY LAW CENTER
STATEMENTS OF CASH FLOWS
Year ended September 30, 2005
With comparative totals for 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 40,068	\$ 67,458
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	2,802	2,583
Loss on disposal of assets	-	5,300
(Increase) decrease in assets:		
Accounts receivable	(26,353)	(11,609)
Sales tax receivable	(120)	419
Prepaid expenses	4,141	(12,653)
Increase (decrease) in liabilities:		
Accounts payable	1,258	3,651
Accrued expenses	19,451	(4,642)
Net cash flows from operating activities	<u>41,247</u>	<u>50,507</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of furniture and equipment	<u>(1,098)</u>	<u>(1,311)</u>
Net cash used by investing activities	<u>(1,098)</u>	<u>(1,311)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	40,149	49,196
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>162,480</u>	<u>113,284</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 202,629</u>	<u>\$ 162,480</u>

The accompanying notes are an integral part of the financial statements.

DISABILITY LAW CENTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Organization's accounting policies conform to U.S. generally accepted accounting principles. The following policies are considered to be significant:

Nature of Activities

Disability Law Center, a nonprofit organization, (the Organization), formerly Legal Center for People with Disabilities, was incorporated under the laws of the State of Utah on April 16, 1975 as a nonprofit corporation. The Organization has offices in Salt Lake City, American Fork and Cedar City. The Organization is part of a nationwide network of protection and advocacy systems (P & A's) which are mandated by Congress to provide legal representation and advocacy services on behalf of all persons with disabilities. Funding for these services is provided under grants from the Department of Health and Human Services, the Department of Education, the Social Security Administration, private foundations, and donations.

Revenue Recognition

The Organization is required to report contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

Contributions of donated cash, assets and services are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization did not receive donated assets or services in the year ended September 30, 2005.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

DISABILITY LAW CENTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents are generally comprised of certain highly liquid investments with original maturities of less than three months.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. An allowance for doubtful accounts has not been established because management believes that all receivables are fully collectible.

Equipment

The Organization capitalizes additions to equipment over \$1,000. Lesser amounts are expensed. Purchased equipment is capitalized at cost. Donations of equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Equipment is depreciated using the straight-line method. Depreciation expense for the year ended September 30, 2005 was \$2,802.

Concentrations of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of temporary cash investments and federal grant revenues.

The Organization maintains its cash balances at a financial institution. At times such balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

The Organization receives a significant amount of its funding from government sources. Decreases in this government support would have an adverse effect upon the Organization.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

DISABILITY LAW CENTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Funding

Funding from all government sources is considered to be unrestricted as long as it is expended under contract guidelines and is expended in the year for which it is contracted.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the IRS has determined that the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended September 30, 2005.

Advertising and Promotion

All costs associated with advertising and promoting the Organization's goods and services are expensed in the year incurred.

Reclassifications

Certain items from 2004 comparative totals have been reclassified to conform to the 2005 presentation.

NOTE 2 - OPERATING LEASES

On November 1, 2002, the Organization entered into a five-year lease for its office space. The monthly lease payments are \$4,256.

The yearly rental expense obligations under the lease are as follows:

2006	\$	51,072
2007		51,072
2008		<u>4,256</u>
	\$	<u>106,400</u>

Rent expense for the year ended September 30, 2005 was \$60,210.

DISABILITY LAW CENTER
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 - EQUIPMENT

Equipment as of September 30, 2005 is detailed as follows:

Cost:

Furniture and fixtures	\$ 16,503
Less accumulated depreciation	<u>(12,402)</u>

Net book value	<u>\$ 4,101</u>
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NOTE 4 - RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30, 2005:

IOLTA/Eccles	\$ 72,071
PADD Litigation	18,918
Borchard Foundation Center on Law and Aging	(128)
Magelby Donation	3,401
Fair Housing Litigation	802
Other restricted	<u>8,327</u>
 Total restricted net assets	 <u>\$ 103,391</u>

NOTE 5 - BENEFIT PLAN

The Organization maintains a defined-contribution 401(k) plan. Under the 401(k) plan, employees are eligible for participation after three months of continuous employment as long as they work at least 1,000 hours during the year. The Board of Trustees determines the percentage of the Organization's contribution on an annual basis. For the year ended September 30, 2005, the Organization contributed \$46,512.

NOTE 6 - PRIOR YEAR TOTALS

Totals for the year ended September 30, 2004 are presented for comparative purposes only. Please refer to the September 30, 2004 audited financial statements for information and notes to the financial statements for that year.

**SUPPLEMENTARY INFORMATION
AND COMPLIANCE REPORTS**

WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Disability Law Center

We have audited the financial statements of Disability Law Center (a nonprofit organization), as of and for the year ended September 30, 2005, and have issued our report thereon dated January 17, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Disability Law Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Disability Law Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah
January 17, 2006

Wisan Smith Racker & Prescott, LLP

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C E R T I F I E D P U B L I C A C C O U N T A N T S

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Board of Trustees
Disability Law Center

Compliance

We have audited the compliance of the Disability Law Center, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Disability Law Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Disability Law Center's management. Our responsibility is to express an opinion on Disability Law Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Disability Law Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Disability Law Center's compliance with those requirements.

In our opinion, Disability Law Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

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Internal Control Over Compliance

The management of Disability Law Center is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Disability Law Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of The Board of Trustees, the management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wisam Smith Raichman & Prescott, LLP

Salt Lake City, Utah
January 17, 2006

DISABILITY LAW CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended September 30, 2005

	Federal CFDA Number	Pass Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Federal Contracts			
Protection and Advocacy for Individuals with Mental Illness	93.138	N/A	\$ 399,104
Protection and Advocacy for People with Developmental Disabilities	93.630	N/A	324,408
Help America Vote Act	93.618	N/A	89,315
Traumatic Brain Injury	93.234	N/A	54,979
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			867,806
<u>U.S. Department of Education</u>			
Direct Federal Contracts			
Client Assistance Program	84.161A	N/A	110,969
Protection and Advocacy of Individual Rights	84.240A	N/A	161,930
Protection and Advocacy Assistive Technology	84.343A	N/A	47,123
TOTAL U.S. DEPARTMENT OF EDUCATION			320,022
<u>Social Security Administration</u>			
Federal contract	96.009	N/A	121,280
TOTAL SOCIAL SECURITY ADMINISTRATION			121,280
TOTAL FEDERAL EXPENDITURES			<u>\$ 1,309,108</u>

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Disability Law Center and is presented on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

DISABILITY LAW CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. No reportable conditions relating to the audit of the financial statements are reported.
3. No instances of noncompliance considered to be material to the financial statements were disclosed by the audit.
4. No reportable conditions relating to the audit of the major federal award programs are required to be reported.
5. The auditor's report on compliance with requirements applicable to major federal award programs expresses an unqualified opinion.
6. The audit disclosed no findings that are required to be reported in accordance with OMB Circular A-133.
7. The programs tested as major programs include:
 - U.S. Department of Health and Human Services
 - CFDA number 93.138
 - CFDA number 93.630
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Disability Law Center did qualify as a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

None

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

None